
Government of the District of Columbia



Department of Insurance, Securities and Banking

Testimony of
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Commissioner

Public Oversight Roundtable

on

**The Impact of Foreclosures on Home Ownership and
Affordable Housing in the District of Columbia**

Jointly by

**The Committee on Public Services and Consumer Affairs
The Honorable Muriel Bowser, Chairperson**

and

**The Committee on Housing and Workforce Development
The Honorable Marion Barry, Chairperson**

Thursday, May 28, 2009
Room 500
John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, DC 20004
10:30 AM

Good morning, Chairperson Bowser, Chairperson Barry, Members of the Committees, and staff. I am Thomas Hampton, Commissioner for the Department of Insurance, Securities and Banking (“DISB” or “Department”) and I am pleased to be here today to testify in regards to the processes the Department has implemented in order to address the recent increase in the number of foreclosures in the District of Columbia. The recent economic downturn has taken its toll on homeownership throughout the country. Economists point to the sub-prime mortgage crisis and subsequent increase in the number of foreclosures as primary causes of the current economic crisis. Although the magnitude of the foreclosure problem has been significantly worse in states such as California, Ohio and Florida, I would like to begin by recognizing just how serious the foreclosure problem has become for District residents in the last year and DISB’s role in helping correct the problem.

Actual foreclosure sales of residential property have risen from slightly more than 100 in FY 2006 to approximately 1000 in FY 2008 and are expected to exceed 1300 in FY 2009. Further, the number of people receiving foreclosure notices is approximately two to three times that amount, and serves to foreshadow the extent of the growing mortgage default problem. Each foreclosure affects not only the homeowner, but also their neighbors and neighborhoods. Also, the Government of the District of Columbia is adversely affected by declining revenue from various taxes and fees which could negatively impact the continuation of services provided to District residents.

DISB is the agency responsible for regulating insurance, securities, banking, and other financial service providers including mortgage brokers and lenders, that offer their services in the District of Columbia. DISB is one of a number of District agencies, including the Department of Housing and Community Development, Housing Finance Agency, and the Department of Consumer and Regulatory Affairs, that have been addressing the foreclosure problem by actively responding to foreclosure inquiries we receive from our residents. The Department also addresses complaints and requests for foreclosure assistance from residents. DISB makes every effort to provide counseling assistance and other outreach efforts on an interagency basis to foster an effective government response. This month, for instance, DISB participated in a Foreclosure Prevention Workshop at Marshall Heights in Ward 7 with DCHD and other non-profit agencies.

The Department also has worked diligently with several nonprofit and community-based organizations to provide counseling to District residents in the form of financial literacy classes, public forums on sub-prime lending and foreclosures, and advisories on avoidance of fraud and abusive practices. DISB works with our sister agencies and other organizations to provide post-purchase counseling coordinating with Manna, the NCRC and NeighborWorks. DISB has held public forums in each of the wards to provide residents with strategies on how to respond when they are experiencing problems paying their mortgage. For instance, the Department conducted sub-prime mortgage and foreclosure seminars at the Annual Housing Fair held at THE ARC in Ward 8. We also held a 'Foreclosure Can Be Prevented' Seminar Series at the Emory United Baptist

Church on Georgia Avenue in Ward 4. The advice provided to homeowners at these seminars includes contacting their lender early in the process to explain their financial situation, and contacting a HUD-approved housing counselor or DISB for assistance.

The federal Department of Housing and Urban Development (“HUD”) continues to provide funding to nonprofit organizations for post-purchase counseling of homeowners. Working closely with various HUD-approved housing counselors, our staff has assisted borrowers in financial trouble and helped them with their efforts to have lenders modify loan terms and defer foreclosure proceedings. These efforts provide the borrower with additional time and opportunity to work through their delinquent debt payments. In this regard, we have had success in convincing lenders to postpone foreclosures, correct loan servicing records to reflect payments actually received by the lender, and refund delinquency fees that may have been excessive or unwarranted. However, our efforts to get lenders - which in most cases are federally regulated banks or their mortgage subsidiaries - to modify loan terms have proven more difficult. The federal government is developing a national strategy to respond to this crisis that will impact all lenders – we are tracking its progress.

The Department is monitoring the development of the "Homeowner Affordability and Stability Plan," announced by President Obama. The new plan will focus on preventing millions of borrowers from losing their homes by providing refinancing, encouraging lenders to modify mortgages, and allowing court-ordered mortgage modifications in bankruptcy.

Consumer Protection and Foreclosure Prevention Plan

While the Department has a limited formal role with respect to the foreclosure process, DISB has been increasingly active in addressing consumer protection matters, particularly those that are foreclosure-related. As part of the Department's overall Consumer Protection Plan, a new position of Consumer Protection Advocate was established in 2006. The Advocate is involved in overseeing our consumer protection activities, including community outreach to educate the public about foreclosure avoidance and how to appropriately address this issue if it should occur. Working through our Office of Communications, foreclosure materials are made available via our Web site, newsletters, and publications, including the Foreclosure Mitigation Kit. The Kit provides a wealth of information for homeowners experiencing financial difficulty with their home mortgage and has proven very popular - hundreds of kits have been distributed throughout the District.

Through our Speakers Bureau, staff and other public presenters have appeared at local churches, schools and Advisory Neighborhood Commission meetings, thus providing a visible presence to District residents seeking information and assistance with their mortgage problems. The Department sponsors extensive educational outreach programs pertaining to financial education and fraud awareness to deliver targeted messages related to national consumer education campaigns that DISB has adopted locally.

Consumer Inquiries and Complaints

The Department also receives many consumer inquiries and complaints about financial services and foreclosure matters. Professional bank examination and analysis staff are available to assist in the servicing of complaints. DISB also provides consumers with counseling referrals. In some cases, DISB staff intercedes with the lender to delay or postpone the foreclosure so that the borrower can arrange a loan modification. In other cases, consumers are directed to HUD-approved housing counselors in the District who can provide additional assistance. If circumstances warrant, such as with suspected fraudulent or abusive practices, a referral is made to the Department's examination or enforcement staff to initiate a suitable response that may include coordination with law enforcement agencies.

The combined volume of inquiries and complaints has risen as economic conditions have worsened. More recently, the majority of the complaints received by the Department have been triggered by inability of homeowners to meet financial obligations caused by the unemployment or illness of the primary income provider in the household, a reflection of the worsening job market and rising unemployment. Until overall economic conditions stabilize and begin to improve, it is anticipated that requests for our assistance will continue to increase.

Legislative Initiatives

With regard to legislative initiatives to address foreclosure issues, during the previous Council session, the Department provided technical assistance and support regarding the

proposed Fairness in Foreclosure Act (B17-579). This Department supported the basic principles in that bill which called for the following:

1. An action to sell a property at a foreclosure proceeding could not take place until 90 days after default or 45 days after the “notice of intent to foreclose” is sent to the homeowner; and
2. The Superior Court of the District of Columbia had to ratify a foreclosure sale and be satisfied that the sale was fairly and properly made before it could go to settlement.

These and other provisions of the bill were intended to enhance consumer protection and avoid potential abuses by slowing down the current foreclosure process and providing an opportunity to confirm that it was conducted in a fair and proper manner. We continue to support efforts to foster additional safeguards to protect homeowners.

Consumer Protection Advocacy Task Force

Even with the federal government pushing for changes regarding foreclosures, DISB continues to develop strategies to address the needs for our citizens experiencing difficulties making their mortgage payments. For example, the Department established a Consumer Protection Advocacy Task Force consisting of our most senior officials, the Consumer Advocate, and principal staff from the Insurance, Securities, Banking, Enforcement Bureaus and the Office of Public Information.

This Task Force is charged with addressing foreclosure issues, tracking foreclosure notices and sales, and staying abreast of related matters both nationally and within state

jurisdictions. Further, DISB is concentrating our examination efforts on mortgage loans in distress that were made by our licensees. The Task Force continues to coordinate the Department's efforts with other District agencies to ensure a comprehensive approach to addressing consumer needs. The Task Force also is charged with enhancing our overall consumer complaint process for all matters pertaining to insurance, securities and banking.

Conclusion

In conclusion, we recognize the severity of the foreclosure problem and have developed pro-active and on-going strategies and programs to assist District residents. DISB is pleased with our accomplishments so far and we will continue to closely monitor the activities of the businesses we regulate and protect District consumers who utilize financial services. We will continue to be accessible to the public through public outreach efforts, including print and broadcast media, the Internet, other events, publications, and community presentations.

Thank you again for providing the opportunity for me to testify on this important subject.

I will be happy to answer any questions you may have.